

OFFICIAL
FILE COPY
DO NOT SEND OUT
(Xerox necessary
copies from this
COPY and PLACE
BACK in FILE)

RECEIVED
LEGISLATIVE AUDITOR
08 MAY 23 AM 9:52

**LAFAYETTE PARISH WATERWORKS
DISTRICT NORTH**
Lafayette, Louisiana

Financial Report

Year Ended December 31, 1999

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date MAY 3 1 2000

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1-2
GENERAL PURPOSE FINANCIAL STATEMENTS	
Proprietary Fund Type:	
Enterprise Fund -	
Comparative balance sheet	4
Comparative statement of revenues, expenses, and changes in retained earnings	5
Comparative statement of cash flows	6-7
Notes to financial statements	8-16
SUPPLEMENTAL INFORMATION	
INTERNAL CONTROL AND COMPLIANCE	
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <u>Government Auditing Standards</u>	19-20
SINGLE AUDIT SECTION	
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	22-23
Schedule of expenditures of federal awards	24
Notes to schedule of expenditures of federal awards	25
Schedule of findings and questioned costs	26
OTHER SUPPLEMENTARY INFORMATION	
Current and prior year findings and corrective action plan	28
Schedule of number of utility customers (unaudited)	29
Schedule of insurance in force (unaudited)	30

KOLDER, CHAMPAGNE, SLAVEN & RAINEY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

C. Burton Kolder, CPA
Russell F. Champagne, CPA
Victor R. Slaven, CPA
Chris Rainey, CPA
Conrad D. Chapman, CPA
P. Troy Courville, CPA

P.O. Box 82329
Lafayette, LA 70598

Phone (337) 232-4141
Fax (337) 232-8660

WEB SITE:
WWW.KCSRCPAS.COM

Allen J. LaBry, CPA
Penny Angelle Scruggins, CPA
Mary T. Thibodeaux, CPA
Gerald A. Thibodeaux, Jr., CPA
Kelly M. Doucet, CPA
Kenneth J. Rachal, CPA
Lisa G. Spain, CPA

MEMBER OF:

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

The Board of Commissioners
Lafayette Parish Waterworks District North
Lafayette, Louisiana

We have audited the accompanying general purpose financial statements of Lafayette Parish Waterworks District North (District), a component unit of Lafayette Parish Consolidated Government, as of and for the year ended December 31, 1999. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Lafayette Parish Waterworks District North, as of December 31, 1999, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 25, 2000, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements of the Lafayette Parish Waterworks District North taken as a whole. The accompanying financial information listed as "Supplemental Information" in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of Lafayette Parish Waterworks District North. Such information, except for the portion marked "Unaudited", on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to such general purpose financial statements taken as a whole.

234 Rue Beaugard
Lafayette, LA 70508
Phone (337) 232-4141
Fax (337) 232-8660

113 East Bridge Street
Breaux Bridge, LA 70517
Phone (337) 332-4020
Fax (337) 332-2867

133 East Waddil
Marksville, LA 71351
Phone (318) 253-9252
Fax (318) 253-8681

1234 David Drive, Suite 105
Morgan City, LA 70380
Phone (504) 384-2020
Fax (504) 384-3020

408 W. Cotton Street
Ville Platte, LA 70586
Phone (337) 363-2792
Fax (337) 363-3049

332 W. Sixth Avenue
Oberlin, LA 70655
Phone (337) 639-4737
Fax (337) 639-4568

200 South Main Street
Abbeville, LA 70511
Phone (337) 893-7944
Fax (337) 893-7946

The financial statements for the year ended December 31, 1998, were audited by us, and we expressed an unqualified opinion on them in our report dated May 26, 1999. However, we have not performed any auditing procedures with respect to the 1998 financial statements since that date.

Kolder, Champagne, Slaven & Rainey, LLC
Certified Public Accountants

Lafayette, Louisiana
February 25, 2000

GENERAL PURPOSE FINANCIAL STATEMENTS

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH
Lafayette, Louisiana
Proprietary Fund Type - Enterprise Fund
Water Fund

Balance Sheet
December 31, 1999 and 1998

	<u>1999</u>	<u>1998</u>
ASSETS		
Current assets:		
Cash	\$ 127,480	\$ 54,589
Receivables -		
City of Lafayette	156,087	120,618
City of Scott	36,370	-
Prepaid insurance	3,727	1,138
Total current assets	<u>323,664</u>	<u>176,345</u>
Restricted cash and investments:		
Cash	295,964	263,446
Investments	145,044	110,044
Total restricted assets	<u>441,008</u>	<u>373,490</u>
Property, plant and equipment, net of accumulated depreciation	5,165,380	5,128,328
Total assets	<u>\$5,930,052</u>	<u>\$5,678,163</u>
LIABILITIES AND FUND EQUITY		
Liabilities:		
Current liabilities - (payable from current assets)		
Accounts payable	\$ 4,465	\$ 7,858
Contracts payable	67,517	63,614
Payroll liabilities	158	-
Total current liabilities - (payable from current assets)	<u>72,140</u>	<u>71,472</u>
Current liabilities - (payable from restricted assets)		
Membership deposits	9,550	75,496
Accrued interest payable	52,899	71,578
Revenue bonds payable	92,402	70,267
Total current liabilities - (payable from restricted assets)	<u>154,851</u>	<u>217,341</u>
Total current liabilities	<u>226,991</u>	<u>288,813</u>
Long-term liabilities -		
Revenue bonds payable	4,269,900	4,309,802
Total liabilities	<u>4,496,891</u>	<u>4,598,615</u>
Fund equity:		
Contributed capital	95,550	95,550
Retained earnings -		
Reserved for revenue bond retirement	206,422	116,028
Reserved for capital improvements	79,735	115,617
Unreserved, undesignated	1,051,454	752,353
Total retained earnings	<u>1,337,611</u>	<u>983,998</u>
Total fund equity	<u>1,433,161</u>	<u>1,079,548</u>
Total liabilities and fund equity	<u>\$5,930,052</u>	<u>\$5,678,163</u>

The accompanying notes are an integral part of this statement.

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH

Lafayette, Louisiana

Proprietary Fund Type-Enterprise Fund

Water Fund

Statement of Revenues, Expenses and Changes in Retained Earnings
Years Ended December 31, 1999 and 1998

	<u>1999</u>	<u>1998</u>
Operating revenues:		
Charges for services -		
Water sales and fees	<u>\$1,672,021</u>	<u>\$1,322,993</u>
Operating expenses:		
Cost of water sold	847,258	799,049
Professional fees	63,645	82,945
Depreciation expense	154,119	126,295
Amortization expense	1,543	786
Director fees	4,365	4,005
Insurance expenses	4,930	8,252
Repairs and maintenance	22,128	66,084
Utilities	12,196	3,673
Salaries & related benefits	20,173	-
Office expenses & supplies	9,871	7,457
Total operating expenses	<u>1,140,228</u>	<u>1,098,546</u>
Net operating income	<u>531,793</u>	<u>224,447</u>
Nonoperating revenues (expenses):		
Interest and Investment income	16,236	22,474
Interest expense	(219,783)	(190,399)
Miscellaneous	25,367	3,654
Total nonoperating expenses	<u>(178,180)</u>	<u>(164,271)</u>
Net income	353,613	60,176
Retained earnings, beginning	<u>983,998</u>	<u>923,822</u>
Retained earnings, ending	<u><u>\$1,337,611</u></u>	<u><u>\$ 983,998</u></u>

The accompanying notes are an integral part of this statement.

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH
Lafayette, Louisiana
Proprietary Fund Type-Enterprise Fund
Water Fund

Statement of Cash Flows
Years Ended December 31, 1999 and 1998

	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net operating income	\$ 531,793	\$ 224,447
Adjustments to reconcile operating income to net cash provided by operations:		
Depreciation	154,119	126,295
Amortization of bond issue costs	1,543	786
Increase in due from City of Lafayette	(35,469)	(44,210)
Increase in due from City of Scott	(36,370)	-
Increase in prepaid insurance	(2,589)	-
Decrease in accounts payable	(3,393)	(97,641)
Increase in contracts payable/retainage payable	3,903	63,614
Increase in payroll liabilities	158	-
Net cash flows provided from operating activities	613,695	273,291
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES:		
Receipts from bond issuance	-	3,510,000
Receipts from issuance of long-term debt	50,000	-
Payments on interim construction financing	-	(1,400,339)
Principal paid on bonds	(70,625)	(1,825,902)
Payment of bond issue costs	-	(31,422)
Refund of bond issue costs	1,315	-
Interest paid on bonds	(238,462)	(193,348)
Acquisition and construction of capital assets	(191,171)	(363,986)
Net (decrease) increase in membership deposits	(65,946)	13,261
Other receipts	25,367	3,654
Net cash flows used for capital and financing activities	(489,522)	(288,082)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received on cash and investments	16,236	22,474
Purchase of investments	(35,000)	-
Maturities of investment	-	175,581
Net cash flows (used) provided from investing activities	(18,764)	198,055
Increase in cash and cash equivalents	105,409	183,264
Cash and cash equivalents, beginning of period	318,035	134,771
Cash and cash equivalents, end of period	\$ 423,444	\$ 318,035

(continued)

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH
Lafayette, Louisiana
Proprietary Fund Type-Enterprise Fund
Water Fund

Statement of Cash Flows (Continued)
Year Ended December 31, 1999 and 1998

	<u>1999</u>	<u>1998</u>
Reconciliation of cash and cash equivalents per statement of cash flows to the balance sheet:		
Cash and cash equivalents, beginning of period -		
Cash - unrestricted	\$ 54,589	\$ 24,808
Cash - restricted	<u>263,446</u>	<u>109,963</u>
Total cash and cash equivalents	<u>318,035</u>	<u>134,771</u>
Cash and cash equivalents, end of period -		
Cash - unrestricted	127,480	54,589
Cash - restricted	<u>295,964</u>	<u>263,446</u>
Total cash and cash equivalents	<u>423,444</u>	<u>318,035</u>
Net increase	<u>\$ 105,409</u>	<u>\$ 183,264</u>

The accompanying notes are an integral part of this statement.

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH
Lafayette, Louisiana

Notes to Financial Statements

(1) Summary of Significant Accounting Policies

The Lafayette Parish Waterworks District North (the District), which is a component unit of Lafayette Parish Consolidated Government, was created under the provisions of Louisiana Revised Statutes 33:3811, for the purpose of providing potable drinking water to the rural areas of Lafayette Parish. The District is governed by a board of commissioners composed of ten members appointed by Lafayette Parish Consolidated Government.

The accounting and reporting policies of the District conform to generally accepted accounting principles as applicable to governments. Such accounting and reporting procedures also conform to the industry audit guide, Audits of State and Local Governmental Units.

The following is a summary of certain significant accounting policies:

A. Financial Reporting Entity

This report is comprised of a proprietary fund that is administered by the District's board of commissioners and controlled by the Lafayette Parish Consolidated Government. The accompanying financial statements present information only on the proprietary fund maintained by the District and do not present information on the Lafayette Parish Consolidated Government and the general governmental services provided by that governmental unit.

B. Fund Accounting

The accounts of the District are organized on the basis of a proprietary fund, of which there exists only an enterprise fund. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

C. Fixed Assets and Long-Term Liabilities

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus.

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH
Lafayette, Louisiana

Notes to Financial Statements (Continued)

The proprietary fund is accounted for on a cost of services or "capital maintenance" measurement focus, and all assets and all liabilities (whether current or noncurrent) associated with its activity are included on its balance sheet.

Depreciation of all exhaustible fixed assets used by the proprietary fund is charged as an expense against its operations. Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Utility System and Improvements	30-40 years
Furniture, fixtures and equipment	10 years

D. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The proprietary fund is accounted for using the accrual basis of accounting whereby revenues are recognized when they are earned and expenses are recognized when incurred. Unbilled utility service receivables, resulting from utility services rendered between the date of meter reading and billing and the end of the month, are not recorded due to immateriality at December 31, 1999.

E. Interest-Bearing Deposits

Interest-bearing deposits are stated at cost, which approximates market. All short-term investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash, and at the date of purchase, they have a maturity date no longer than three months.

F. Investments

Under state law, the District may deposit funds with a fiscal agent organized under the laws of the State of Louisiana, the laws of any other state in the union, or the laws of the United States. The District may invest in United States bonds, treasury notes and bills, government backed agency securities, or certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. Investments are stated at cost, which is not materially different from market value.

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH
Lafayette, Louisiana

Notes to Financial Statements (Continued)

G. Capitalization of Interest Expense

It is the policy of the Lafayette Parish Waterworks District North to capitalize material amounts of interest resulting from borrowings in the course of the construction of fixed assets. At December 31, 1999, no interest costs were capitalized.

H. Fund Equity

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. Reserves represent those portions of fund equity not appropriable for expenditure or legally separated for a specific future use.

(2) Cash and Interest-Bearing Deposits

Under state law, the District may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the law of any other state in the Union, or the laws of the United States. The District may invest in certificates and time deposits of the state banks organized under Louisiana law and national banks having principal offices in Louisiana. At December 31, 1999, the District had cash and interest-bearing deposits (book balances) totaling \$423,444 as follows:

Demand deposits	\$206,415
Time deposits and money market accounts	<u>217,029</u>
Total	<u>\$423,444</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. The bank balances are categorized below to give an indication of the level of risk assumed by the District at December 31, 1999. Category 1 includes bank balances that are insured or collateralized with securities held by the entity or by its agent in the entity's name. Category 2 includes bank balances that are collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name. Category 3 includes bank balances that are collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the entity's name. Deposit balances (bank balances) at December 31, 1999, are secured as follows:

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH
Lafayette, Louisiana

Notes to Financial Statements (Continued)

Bank balances	<u>\$424,813</u>
---------------	------------------

At December 31, 1998, the deposits are secured as follows:

Federal deposit insurance	\$303,091
Pledged securities (Category 3)	<u>121,722</u>

Total	<u>424,813</u>
-------	----------------

Unsecured bank balances	<u>\$ -</u>
-------------------------	-------------

Even though pledged securities are considered uncollateralized (Category 3), Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent has failed to pay deposited funds upon demand.

(3) Restricted Assets - Proprietary Fund Type

Restricted assets were applicable to the following at December 31:

	<u>1999</u>	<u>1998</u>
Revenue bond and interest sinking account	\$106,545	\$ 60,295
Revenue bond reserve account	131,777	106,301
Revenue bond contingency account	113,401	91,277
Customers' deposits	9,550	-
Capital improvements	<u>79,735</u>	<u>115,617</u>
 Total restricted assets	 <u>\$441,008</u>	 <u>\$373,490</u>

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH
Lafayette, Louisiana

Notes to Financial Statements (Continued)

(4) Investments

The District can invest in direct debt securities of the United States unless such an investment is expressly prohibited by law. The District's investments are categorized to give an indication of the level of risk assumed by it at year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments with securities held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments with securities held by the counterparty, or by its trust department or agent, but not in the District's name.

The carrying amounts and approximate market values of investments are summarized as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Category</u>	<u>December 31, 1999</u>	
			<u>Carrying Amount</u>	<u>Approximate Fair Value</u>
FHLB Discount Note	6.01%	1	\$ 35,000	\$ 33,720
U. S. Treasury Note	5.38%	1	14,958	14,878
U. S. Treasury Note	5.50%	1	25,086	25,000
Federal Home Loan Banks	6.01%	1	35,000	33,720
Federal GNMA Trust	Various	1	35,000	33,008
			<u>\$145,044</u>	<u>\$140,326</u>

<u>Description</u>	<u>Interest Rate</u>	<u>Category</u>	<u>December 31, 1998</u>	
			<u>Carrying Amount</u>	<u>Approximate Fair Value</u>
FHLB Discount Note	6.01%	1	\$ 35,000	\$ 35,158
U. S. Treasury Note	5.38%	1	14,958	15,225
U. S. Treasury Note	5.50%	1	25,086	25,258
Federal GNMA Trust	Various	1	35,000	34,847
			<u>\$110,044</u>	<u>\$110,488</u>

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH
Lafayette, Louisiana

Notes to Financial Statements (Continued)

(5) Fixed Assets

A summary of proprietary fund type property, plant and equipment at December 31, follows:

	1999	1998
Land	\$ 21,905	\$ 21,905
Furniture, fixtures and equipment	2,657	2,657
Water system	5,949,553	5,853,903
Construction in progress	93,036	-
Total	6,067,151	5,878,465
Less: Accumulated depreciation	(901,771)	(750,137)
Net Utility Fund property, plant and equipment	\$5,165,380	\$5,128,328

Depreciation expense for the years ended December 31, 1999 and 1998 totaled \$154,119 and \$126,295 respectively.

(6) Changes in Long-Term Debt

The following is a summary of debt transactions of the District for the year ended December 31, 1999:

	Utility Revenue Bonds
Long-term debt payable at January 1, 1999	\$4,410,705
Long-term debt issued	50,000
Long-term debt retired	70,625
Long-term debt payable at December 31, 1999	\$4,390,080

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH
Lafayette, Louisiana

Notes to Financial Statements (Continued)

Long-term debt payable at December 31, 1999, is composed of the following individual issues:

Utility Revenue Bonds:

\$950,000 Revenue Bonds, Series 1993, due in annual installments of \$60,610 through October 27, 2033; interest at 5.625 percent	\$ 898,442
\$1,830,000 Revenue Bonds, Series 1997, due in annual installments of \$5,000 to \$136,000 through October 1, 2020; interest at 5.75 percent	1,780,000
\$1,680,000 Revenue Bonds, Series 1998, due in annual installments of \$95,424 through October 27, 2037; interest at 4.75 percent	1,661,638
\$50,000 Note Payable to Dennis J. Broussard, due in monthly installments of \$2,239 through February 1, 2002; interest at 7.00 percent	50,000
	4,390,080
Less: Unamortized bond discount	27,778
	\$ 4,362,302

The annual requirements to amortize all debts outstanding at December 31, 1999, including interest payments of \$4,369,630 are as follows:

December 31,	Utility Revenue Bonds
2000	\$ 325,770
2001	332,661
2002	307,398
2003	305,047
2004	305,884
2005-2009	1,520,370
2010-2014	1,520,833
2015-2019	1,521,220
2020-2024	923,990
2025-2029	780,170
2030-2034	646,718
2035-2037	269,649
	\$ 8,759,710

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH
Lafayette, Louisiana

Notes to Financial Statements (Continued)

(7) Flow of Funds; Restrictions on Use - Utility Revenues

Under the terms of the respective bond indentures on the utility revenue bonds, all income and revenues (hereinafter referred to as revenue) of every nature, earned or derived from operations of the Water Utility System are pledged and dedicated to the retirement of said bonds and are to be set aside into the following special funds. Each month there will be set aside into a "Waterworks Revenue Bond and Interest Sinking Fund" an amount sufficient to accumulate the amount needed to assure the prompt payment of the principal and interest installments as they become due, and may be used only for such payment.

There shall also be set aside into a "Waterworks Reserve Fund" a monthly amount equal to 5 percent of the amount to be paid into the sinking fund until the sum of \$306,826 has been accumulated.

Funds will also be set aside into a "Waterworks Depreciation and Contingency Fund" of \$1,305 per month. Monies in this fund shall be used to pay the major repairs due to damage caused by unforeseen catastrophe and for replacements made necessary by the depreciation of the system.

All of the revenues received in any fiscal year and not required to be paid into any of the above noted funds in such fiscal year shall be regarded as surplus and may be used for any lawful purpose.

The Lafayette Parish Waterworks District North was in compliance with all significant limitations and restrictions in the bond indenture at December 31, 1999.

(8) Litigation

At December 31, 1999, the District was the plaintiff in a lawsuit arising in the normal course of operations. The defendant in the lawsuit has made a formal demand for damages. The District's legal counsel and management of the District have reviewed the claim in order to evaluate the likelihood of an unfavorable outcome to the District and arrive at an estimate. Legal counsel and management estimate a range of potential loss in the amount of \$125,000 to \$250,000 if an unfavorable outcome is determined. The District intends to vigorously defend its position. No discovery of any kind has been made in this matter.

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH
Lafayette, Louisiana

Notes to Financial Statements (Continued)

(9) Compensation of Board Members

A detail of compensation paid to the President of the Board and board members for the year ended December 31, 1999 follows:

John Richard, President	\$1,080
Board members:	
Melvin Eiden	360
Harold Hebert	495
William Guidry	495
Emanuel Anderson	405
Judy Duhon	495
Anna Racca	540
Joseph Walker	<u>495</u>
	<u>\$4,365</u>

SUPPLEMENTAL INFORMATION

INTERNAL CONTROL AND COMPLIANCE

KOLDER, CHAMPAGNE, SLAVEN & RAINEY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

C. Burton Kolder, CPA
Russell F. Champagne, CPA
Victor Slaven, CPA
Chris Rainey, CPA
Conrad O. Chapman, CPA
P. Troy Courville, CPA

P.O. Box 82329
234 Rue Beauregard
Lafayette, LA 70598

WEB SITE:
WWW.KSCRCPAS.COM

Phone (337) 232-4141
Fax (337) 232-8660

MEMBER OF:

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

Allen J. LaBry, CPA
Penny Angelle Scruggins, CPA
Mary T. Thibodeaux, CPA
Gerald A. Thibodeaux, Jr., CPA
Kelly M. Doucet, CPA
Kenneth J. Rachal, CPA
Lisa G. Spain, CPA

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Commissioners
Lafayette Parish Waterworks District North
Lafayette, Louisiana

We have audited the general purpose financial statements of Lafayette Parish Waterworks District North, (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated February 25, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

234 Rue Beauregard
Lafayette, LA 70508
Phone (337) 232-4141
Fax (337) 232-8660

113 East Bridge Street
Breaux Bridge, LA 70517
Phone (337) 332-4020
Fax (337) 332-2867

133 East Waddil
Marksville, LA 71351
Phone (318) 253-9252
Fax (318) 253-8681

1234 David Drive, Suite 105
Morgan City, LA 70380
Phone (504) 384-2020
Fax (504) 384-3020

408 W. Cotton Street
Ville Platte, LA 70586
Phone (337) 363-2792
Fax (337) 363-3049

332 W. Sixth Avenue
Oberlin, LA 70655
Phone (337) 639-4737
Fax (337) 639-4568

200 South Main Street
Abbeville, LA 70511
Phone (337) 893-7944
Fax (337) 893-7946

This report is intended solely for the information and use of management, others within the District, Lafayette Parish Consolidated Government, federal awarding agencies, and the Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Kolder, Champagne, Slaven & Rainey, LLC
Certified Public Accountants

Lafayette, Louisiana
February 25, 2000

SINGLE AUDIT SECTION

KOLDER, CHAMPAGNE, SLAVEN & RAINEY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

C. Burton Kolder, CPA
Russell F. Champagne, CPA
Victor Slaven, CPA
Chris Rainey, CPA
Conrad D. Chapman, CPA
P. Troy Courville, CPA

P.O. Box 82329
234 Rue Beauregard
Lafayette, LA 70598

WEB SITE:
WWW.KCSRCPAS.COM

Phone (337) 232-4141
Fax (337) 232-8660

MEMBER OF:

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

Allen J. LaBry, CPA
Penny Angelle Scruggins, CPA
Mary T. Thibodeaux, CPA
Gerald A. Thibodeaux, Jr., CPA
Kelly M. Doucet, CPA
Kenneth J. Rachal, CPA
Lisa G. Spain, CPA

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The Board of Commissioners
Lafayette Parish Waterworks District North
Lafayette, Louisiana

Compliance

We have audited the compliance of Lafayette Parish Waterworks District North (the District), with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended December 31, 1999. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 1999.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

234 Rue Beauregard
Lafayette, LA 70508
Phone (337) 232-4141
Fax (337) 232-8660

113 East Bridge Street
Breaux Bridge, LA 70517
Phone (337) 332-4020
Fax (337) 332-2867

133 East Waddil
Marksville, LA 71351
Phone (318) 253-9252
Fax (318) 253-8681

1234 David Drive, Suite 105
Morgan City, LA 70380
Phone (504) 384-2020
Fax (504) 384-3020

408 W. Cotton Street
Ville Platte, LA 70586
Phone (337) 363-2792
Fax (337) 363-3049

332 W. Sixth Avenue
Oberlin, LA 70655
Phone (337) 639-4737
Fax (337) 639-4568

200 South Main Street
Abbeville, LA 70511
Phone (337) 893-7944
Fax (337) 893-7946

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the general purpose financial statements of the Lafayette Parish Waterworks District North as of and for the year ended December 31, 1999, and have issued our report thereon dated February 25, 2000. Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the general purpose financial statements of the District. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as whole.

This report is intended solely for the information and use of management, others within the District, Lafayette Parish Consolidated Government, federal awarding agencies, and the Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Kolder, Champagne, Slaven & Rainey, LLC
Certified Public Accountants

Lafayette, Louisiana
February 25, 2000

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH
Lafayette, Louisiana

Schedule of Expenditures of Federal Awards
Year Ended December 31, 1999

<u>Federal Grantor / Pass-Through Grantor / Program Title</u>	<u>CFDA Number</u>	<u>Outstanding Revenue Bonds</u>
United States Department of Agriculture - Rural Development *	10.418	<u>\$4,340,080</u>

* Indicates major program.

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH
Lafayette, Louisiana

Notes to Schedule of Expenditures of Federal Awards
Year Ended December 31, 1999

(1) General

The accompanying schedule of expenditures of federal awards presents the activity of all federal financial assistance programs of Lafayette Parish Waterworks District North (the District). The determination of when an award is expended should be based on when the activity related to the award occurs. Generally, the activity pertains to events that require the non-Federal entity to comply with laws, regulations, and the provisions of contracts or grant agreements.

(2) Basis of Accounting

The federal program presented consists only of loans and loan guarantees which are non-cash awards. Since the Federal Government is at risk for loans until the debt is repaid and since there are continuing compliance requirements, the balance of loans outstanding at December 31, 1999 was used to calculate the value of federal awards expended.

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH
Lafayette, Louisiana

Schedule of Findings and Questioned Costs
Year Ended December 31, 1999

Part I. Summary of Auditors' Results:

1. An unqualified report was issued on the financial statements.
2. No reportable conditions in internal control were disclosed by the audit of the financial statements.
3. There were no material instances of noncompliance.
4. No reportable conditions in internal control over the major program were disclosed by the audit of the financial statements.
5. An unqualified opinion was issued on compliance for the major program.
6. The audit disclosed no audit findings required to be reported under Section 510(a) of Circular A-133.
7. The major program was:

U. S. Department of Agriculture/Rural Development
8. The dollar threshold used to distinguish between Type A and Type B programs, as described in Section 520(b) of Circular A-133 was \$300,000.
9. The auditee did qualify as a low-risk auditee under Section 530 of Circular A-133.

Part II. Findings which are required to be reported in accordance with generally accepted Governmental Auditing Standards:

There are no findings that are required to be reported under the above guidance.

Part III. Findings and questioned costs for Federal awards which include audit findings as defined in Section 510 (a) of Circular A-133:

There are no findings that are required to be reported under the above guidance.

OTHER SUPPLEMENTARY INFORMATION

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH
Lafayette, Louisiana

Current and Prior Year Audit Findings
and Corrective Action Plan
Year Ended December 31, 1999

Reference Number	Year Finding Initially Occurred	Description of Finding/ Management letter comment	Planned Corrective Action/Partial Corrective Action Taken	
			Corrective Action Taken	Corrective Action Taken

CURRENT YEAR FINDINGS -

There are no current year findings.

PRIOR YEAR FINDINGS -

98-1	1997	<u>Membership deposits</u> The District should maintain and periodically reconcile membership deposit subsidiary records to the general ledger.	Yes	The District's office clerk reconciles membership deposits to the general ledger.
------	------	--	-----	---

Management

Letter	1997	<u>Invoices/supporting documentation</u> Certain invoices and documentation transactions recorded on the general ledger were not readily available for examination. Centralized filing and record retention procedures would allow for timely review of supporting documentation.	Yes	The District's office clerk has implemented centralized filing and record retention procedures.
--------	------	--	-----	---

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH

Lafayette, Louisiana

Proprietary Fund Type-Enterprise Fund

Water Fund

Schedule of Number of Utility Customers

(Unaudited)

December 31, 1999 and 1998

	<u>1999</u>	<u>1998</u>
Water meters in service -		
Residential	4,242	3,066
Commercial	90	71

LAFAYETTE PARISH WATERWORKS DISTRICT NORTH
Lafayette, Louisiana

Schedule of Insurance in Force
(Unaudited)
December 31, 1999

Description of Coverage	Expiration Dates	Coverage Amounts
Surety bonds -	10/5/00	
Position bonds:		
President		\$ 212,000
Secretary/Treasurer		212,000
Administrative consultant		212,000
Commercial general liability -	4/4/00	
Each occurrence		1,000,000
General aggregate		2,000,000
Fire damage		100,000
Medical		5,000
Excess liability -	4/9/00	
Each occurrence		1,000,000
Aggregate		1,000,000
Property -	4/9/00	
Building		30,000
Business personal property		70,000